



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

April 29, 2019

The Honorable Katie Hobbs  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Hobbs:

I am transmitting to you the following bills from the Fifty-fourth Legislature, 1st Regular Session, which I signed on April 29th, 2019:

H.B. 2063 vehicle insurance cards; assigned numbers (Biasiucci)  
H.B. 2181 licensing; exemption; registrar of contractors (Grantham)  
H.B. 2452 vehicle emissions program; remote inspections (Griffin)  
S.B. 1024 medical marijuana; sales data; enforcement (Borrelli)  
S.B. 1040 maternal morbidity; mortality; report (Brophy-McGee)  
S.B. 1311 material witnesses; contempt; detention; bond (E. Farsworth)  
S.B. 1397 registrar of contractors omnibus (Mesnard)  
S.B. 1443 bullhead city; state land transfer (Borrelli)  
S.B. 1498 egg promotion program (Kerr)

Sincerely,

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

House Engrossed Senate Bill

**FILED**  
**KATIE HOBBS**  
**SECRETARY OF STATE**

State of Arizona  
Senate  
Fifty-fourth Legislature  
First Regular Session  
2019

**CHAPTER 142**  
**SENATE BILL 1024**

AN ACT

AMENDING SECTIONS ~~36-2806~~ AND 42-2003, ARIZONA REVISED STATUTES; RELATING  
TO MEDICAL MARIJUANA.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Subject to the requirements of article IV, part 1,  
3 section 1, Constitution of Arizona, section 36-2806, Arizona Revised  
4 Statutes, is amended to read:

5 36-2806. Registered nonprofit medical marijuana dispensaries;  
6 requirements

7 A. A registered nonprofit medical marijuana dispensary shall be  
8 operated on a not-for-profit basis. The bylaws of a registered nonprofit  
9 medical marijuana dispensary shall contain such provisions relative to the  
10 disposition of revenues and receipts to establish and maintain its  
11 nonprofit character. A registered nonprofit medical marijuana dispensary  
12 need not be recognized as tax-exempt by the internal revenue service and  
13 is not required to incorporate pursuant to title 10, chapter 19,  
14 article 1.

15 B. The operating documents of a registered nonprofit medical  
16 marijuana dispensary shall include procedures for the oversight of the  
17 registered nonprofit medical marijuana dispensary and procedures to ensure  
18 accurate recordkeeping.

19 C. A registered nonprofit medical marijuana dispensary shall have a  
20 single secure entrance and shall implement appropriate security measures  
21 to deter and prevent the theft of marijuana and unauthorized entrance into  
22 areas containing marijuana.

23 D. A registered nonprofit medical marijuana dispensary is  
24 prohibited from acquiring, possessing, cultivating, manufacturing,  
25 delivering, transferring, transporting, supplying or dispensing marijuana  
26 for any purpose except to assist registered qualifying patients with the  
27 medical use of marijuana directly or through the registered qualifying  
28 patients' designated caregivers.

29 E. All cultivation of marijuana must take place in an enclosed,  
30 locked facility, at a physical address provided to the department during  
31 the registration process, ~~which~~ THAT can ~~only~~ be accessed ONLY by  
32 registered nonprofit medical marijuana dispensary agents associated in the  
33 registry with the nonprofit medical marijuana dispensary.

34 F. A registered nonprofit medical marijuana dispensary may acquire  
35 usable marijuana or marijuana plants from a registered qualifying patient  
36 or a registered designated caregiver only if the registered qualifying  
37 patient or registered designated caregiver receives no compensation for  
38 the marijuana.

39 G. A nonprofit medical marijuana dispensary shall not ~~permit~~ ALLOW  
40 any person to consume marijuana on the property of ~~a~~ THE nonprofit  
41 medical marijuana dispensary.

42 H. Registered nonprofit medical marijuana dispensaries are subject  
43 to reasonable inspection by the department. The department shall give  
44 reasonable notice of an inspection under this subsection.

1 I. UPON REQUEST THE DEPARTMENT OF HEALTH SERVICES SHALL SHARE WITH  
2 THE DEPARTMENT OF REVENUE LICENSEE INFORMATION OF A MEDICAL MARIJUANA  
3 DISPENSARY INCLUDING ITS NAME AND REGISTRY IDENTIFICATION NUMBER, ITS  
4 PHYSICAL ADDRESS, CULTIVATION SITE, TRANSACTION PRIVILEGE TAX LICENSE  
5 NUMBER, INFORMATION ABOUT ITS SUPPLIER AND ALL SALES DATA, EXCLUDING ANY  
6 REGISTERED QUALIFYING PATIENT-SPECIFIC INFORMATION, THAT IS COLLECTED FROM  
7 THE REGISTERED NONPROFIT MEDICAL MARIJUANA DISPENSARY. THE DEPARTMENT OF  
8 HEALTH SERVICES MAY REVOKE THE REGISTRATION OF A NONPROFIT MEDICAL  
9 MARIJUANA DISPENSARY THAT DOES NOT COMPLY WITH THE TAX REQUIREMENTS OF  
10 TITLE 42, CHAPTER 5 AS REPORTED BY THE DEPARTMENT OF REVENUE.

11 Sec. 2. Section 42-2003, Arizona Revised Statutes, is amended to  
12 read:

13 42-2003. Authorized disclosure of confidential information

14 A. Confidential information relating to:

15 1. A taxpayer may be disclosed to the taxpayer, its successor in  
16 interest or a designee of the taxpayer who is authorized in writing by the  
17 taxpayer. A principal corporate officer of a parent corporation may  
18 execute a written authorization for a controlled subsidiary.

19 2. A corporate taxpayer may be disclosed to any principal officer,  
20 any person designated by a principal officer or any person designated in a  
21 resolution by the corporate board of directors or other similar governing  
22 body. If a corporate officer signs a statement under penalty of perjury  
23 representing that the officer is a principal officer, the department may  
24 rely on the statement until the statement is shown to be false. For the  
25 purposes of this paragraph, "principal officer" includes a chief executive  
26 officer, president, secretary, treasurer, vice president of tax, chief  
27 financial officer, chief operating officer or chief tax officer or any  
28 other corporate officer who has the authority to bind the taxpayer on  
29 matters related to state taxes.

30 3. A partnership may be disclosed to any partner of the  
31 partnership. This exception does not include disclosure of confidential  
32 information of a particular partner unless otherwise authorized.

33 4. A limited liability company may be disclosed to any member of  
34 the company or, if the company is manager-managed, to any manager.

35 5. An estate may be disclosed to the personal representative of the  
36 estate and to any heir, next of kin or beneficiary under the will of the  
37 decedent if the department finds that the heir, next of kin or beneficiary  
38 has a material interest that will be affected by the confidential  
39 information.

40 6. A trust may be disclosed to the trustee or trustees, jointly or  
41 separately, and to the grantor or any beneficiary of the trust if the  
42 department finds that the grantor or beneficiary has a material interest  
43 that will be affected by the confidential information.

44 7. A government entity may be disclosed to the head of the entity  
45 or a member of the governing board of the entity, or any employee of the

1 entity who has been delegated the authorization in writing by the head of  
2 the entity or the governing board of the entity.

3 8. Any taxpayer may be disclosed if the taxpayer has waived any  
4 rights to confidentiality either in writing or on the record in any  
5 administrative or judicial proceeding.

6 9. The name and taxpayer identification numbers of persons issued  
7 direct payment permits may be publicly disclosed.

8 10. Any taxpayer may be disclosed during a meeting or telephone  
9 call if the taxpayer is present during the meeting or telephone call and  
10 authorizes the disclosure of confidential information.

11 B. Confidential information may be disclosed to:

12 1. Any employee of the department whose official duties involve tax  
13 administration.

14 2. The office of the attorney general solely for its use in  
15 preparation for, or in an investigation that may result in, any proceeding  
16 involving tax administration before the department or any other agency or  
17 board of this state, or before any grand jury or any state or federal  
18 court.

19 3. The department of liquor licenses and control for its use in  
20 determining whether a spirituous liquor licensee has paid all transaction  
21 privilege taxes and affiliated excise taxes incurred as a result of the  
22 sale of spirituous liquor, as defined in section 4-101, at the licensed  
23 establishment and imposed on the licensed establishments by this state and  
24 its political subdivisions.

25 4. Other state tax officials whose official duties require the  
26 disclosure for proper tax administration purposes if the information is  
27 sought in connection with an investigation or any other proceeding  
28 conducted by the official. Any disclosure is limited to information of a  
29 taxpayer who is being investigated or who is a party to a proceeding  
30 conducted by the official.

31 5. The following agencies, officials and organizations, if they  
32 grant substantially similar privileges to the department for the type of  
33 information being sought, pursuant to statute and a written agreement  
34 between the department and the foreign country, agency, state, Indian  
35 tribe or organization:

36 (a) The United States internal revenue service, alcohol and tobacco  
37 tax and trade bureau of the United States treasury, United States bureau  
38 of alcohol, tobacco, firearms and explosives of the United States  
39 department of justice, United States drug enforcement agency and federal  
40 bureau of investigation.

41 (b) A state tax official of another state.

42 (c) An organization of states, federation of tax administrators or  
43 multistate tax commission that operates an information exchange for tax  
44 administration purposes.

1 (d) An agency, official or organization of a foreign country with  
2 responsibilities that are comparable to those listed in subdivision (a),  
3 (b) or (c) of this paragraph.

4 (e) An agency, official or organization of an Indian tribal  
5 government with responsibilities comparable to the responsibilities of the  
6 agencies, officials or organizations identified in subdivision (a), (b) or  
7 (c) of this paragraph.

8 6. The auditor general, in connection with any audit of the  
9 department subject to the restrictions in section 42-2002, subsection D.

10 7. Any person to the extent necessary for effective tax  
11 administration in connection with:

12 (a) The processing, storage, transmission, destruction and  
13 reproduction of the information.

14 (b) The programming, maintenance, repair, testing and procurement  
15 of equipment for purposes of tax administration.

16 (c) The collection of the taxpayer's civil liability.

17 8. The office of administrative hearings relating to taxes  
18 administered by the department pursuant to section 42-1101, but the  
19 department shall not disclose any confidential information without the  
20 taxpayer's written consent:

21 (a) Regarding income tax or withholding tax.

22 (b) On any tax issue relating to information associated with the  
23 reporting of income tax or withholding tax.

24 9. The United States treasury inspector general for tax  
25 administration for the purpose of reporting a violation of internal  
26 revenue code section 7213A (26 United States Code section 7213A),  
27 unauthorized inspection of returns or return information.

28 10. The financial management service of the United States treasury  
29 department for use in the treasury offset program.

30 11. The United States treasury department or its authorized agent  
31 for use in the state income tax levy program and in the electronic federal  
32 tax payment system.

33 12. The Arizona commerce authority for its use in:

34 (a) Qualifying renewable energy operations for the tax incentives  
35 under section 42-12006.

36 (b) Qualifying businesses with a qualified facility for income tax  
37 credits under sections 43-1083.03 and 43-1164.04.

38 (c) Fulfilling its annual reporting responsibility pursuant to  
39 section 41-1511, subsections U and V and section 41-1512, subsections U  
40 and V.

41 (d) Certifying computer data centers for tax relief under section  
42 41-1519.

43 13. A prosecutor for purposes of section 32-1164, subsection C.

44 14. The office of the state fire marshal for use in determining  
45 compliance with and enforcing title 37, chapter 9, article 5.

1           15. The department of transportation for its use in administering  
2 taxes, surcharges and penalties prescribed by title 28.

3           16. The Arizona health care cost containment system administration  
4 for its use in administering nursing facility provider assessments.

5           17. The department of administration risk management division and  
6 the office of the attorney general if the information relates to a claim  
7 against this state pursuant to section 12-821.01 involving the department  
8 of revenue.

9           18. Another state agency if the taxpayer authorizes the disclosure  
10 of confidential information in writing, including an authorization that is  
11 part of an application form or other document submitted to the agency.

12           19. The department of economic security for its use in determining  
13 whether an employer has paid all amounts due under the unemployment  
14 insurance program pursuant to title 23, chapter 4.

15           20. THE DEPARTMENT OF HEALTH SERVICES FOR ITS USE IN DETERMINING IF  
16 A MEDICAL MARIJUANA DISPENSARY IS IN COMPLIANCE WITH THE TAX REQUIREMENTS  
17 OF TITLE 42, CHAPTER 5 FOR PURPOSES OF SECTION 36-2806, SUBSECTION A.

18           C. Confidential information may be disclosed in any state or  
19 federal judicial or administrative proceeding pertaining to tax  
20 administration pursuant to the following conditions:

21           1. One or more of the following circumstances must apply:

22           (a) The taxpayer is a party to the proceeding.

23           (b) The proceeding arose out of, or in connection with, determining  
24 the taxpayer's civil or criminal liability, or the collection of the  
25 taxpayer's civil liability, with respect to any tax imposed under this  
26 title or title 43.

27           (c) The treatment of an item reflected on the taxpayer's return is  
28 directly related to the resolution of an issue in the proceeding.

29           (d) Return information directly relates to a transactional  
30 relationship between a person who is a party to the proceeding and the  
31 taxpayer and directly affects the resolution of an issue in the  
32 proceeding.

33           2. Confidential information may not be disclosed under this  
34 subsection if the disclosure is prohibited by section 42-2002, subsection  
35 C or D.

36           D. Identity information may be disclosed for purposes of notifying  
37 persons entitled to tax refunds if the department is unable to locate the  
38 persons after reasonable effort.

39           E. The department, on the request of any person, shall provide the  
40 names and addresses of bingo licensees as defined in section 5-401, verify  
41 whether or not a person has a privilege license and number, a tobacco  
42 product distributor's license and number or a withholding license and  
43 number or disclose the information to be posted on the department's  
44 website or otherwise publicly accessible pursuant to section 42-1124,  
45 subsection F and section 42-3401.

1 F. A department employee, in connection with the official duties  
2 relating to any audit, collection activity or civil or criminal  
3 investigation, may disclose return information to the extent that  
4 disclosure is necessary to obtain information that is not otherwise  
5 reasonably available. These official duties include the correct  
6 determination of and liability for tax, the amount to be collected or the  
7 enforcement of other state tax revenue laws.

8 G. Confidential information relating to transaction privilege tax,  
9 use tax, severance tax, jet fuel excise and use tax and any other tax  
10 collected by the department on behalf of any jurisdiction may be disclosed  
11 to any county, city or town tax official if the information relates to a  
12 taxpayer who is or may be taxable by a county, city or town or who may be  
13 subject to audit by the department pursuant to section 42-6002. Any  
14 taxpayer information released by the department to the county, city or  
15 town:

16 1. May only be used for internal purposes, including audits.

17 2. May not be disclosed to the public in any manner that does not  
18 comply with confidentiality standards established by the department. The  
19 county, city or town shall agree in writing with the department that any  
20 release of confidential information that violates the confidentiality  
21 standards adopted by the department will result in the immediate  
22 suspension of any rights of the county, city or town to receive taxpayer  
23 information under this subsection.

24 H. The department may disclose statistical information gathered  
25 from confidential information if it does not disclose confidential  
26 information attributable to any one taxpayer. The department may disclose  
27 statistical information gathered from confidential information, even if it  
28 discloses confidential information attributable to a taxpayer, to:

29 1. The state treasurer in order to comply with the requirements of  
30 section 42-5029, subsection A, paragraph 3.

31 2. The joint legislative income tax credit review committee, the  
32 joint legislative budget committee staff and the legislative staff in  
33 order to comply with the requirements of section 43-221.

34 I. The department may disclose the aggregate amounts of any tax  
35 credit, tax deduction or tax exemption enacted after January 1, 1994.  
36 Information subject to disclosure under this subsection shall not be  
37 disclosed if a taxpayer demonstrates to the department that such  
38 information would give an unfair advantage to competitors.

39 J. Except as provided in section 42-2002, subsection C,  
40 confidential information, described in section 42-2001, paragraph 1,  
41 subdivision (a), item (ii), may be disclosed to law enforcement agencies  
42 for law enforcement purposes.

43 K. The department may provide transaction privilege tax license  
44 information to property tax officials in a county for the purpose of  
45 identification and verification of the tax status of commercial property.

1 L. The department may provide transaction privilege tax, luxury  
2 tax, use tax, property tax and severance tax information to the  
3 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

4 M. Except as provided in section 42-2002, subsection D, a court may  
5 order the department to disclose confidential information pertaining to a  
6 party to an action. An order shall be made only on a showing of good  
7 cause and that the party seeking the information has made demand on the  
8 taxpayer for the information.

9 N. This section does not prohibit the disclosure by the department  
10 of any information or documents submitted to the department by a bingo  
11 licensee. Before disclosing the information the department shall obtain  
12 the name and address of the person requesting the information.

13 O. If the department is required or permitted to disclose  
14 confidential information, it may charge the person or agency requesting  
15 the information for the reasonable cost of its services.

16 P. Except as provided in section 42-2002, subsection D, the  
17 department of revenue shall release confidential information as requested  
18 by the department of economic security pursuant to section 42-1122 or  
19 46-291. Information disclosed under this subsection is limited to the same  
20 type of information that the United States internal revenue service is  
21 authorized to disclose under section 6103(l)(6) of the internal revenue  
22 code.

23 Q. Except as provided in section 42-2002, subsection D, the  
24 department of revenue shall release confidential information as requested  
25 by the courts and clerks of the court pursuant to section 42-1122.

26 R. To comply with the requirements of section 42-5031, the  
27 department may disclose to the state treasurer, to the county stadium  
28 district board of directors and to any city or town tax official that is  
29 part of the county stadium district confidential information attributable  
30 to a taxpayer's business activity conducted in the county stadium  
31 district.

32 S. The department shall release to the attorney general  
33 confidential information as requested by the attorney general for purposes  
34 of determining compliance with or enforcing any of the following:

35 1. Any public health control law relating to tobacco sales as  
36 provided under title 36, chapter 6, article 14.

37 2. Any law relating to reduced cigarette ignition propensity  
38 standards as provided under title 37, chapter 9, article 5.

39 3. Sections 44-7101 and 44-7111, the master settlement agreement  
40 referred to in those sections and all agreements regarding disputes under  
41 the master settlement agreement.

42 T. For proceedings before the department, the office of  
43 administrative hearings, the board of tax appeals or any state or federal  
44 court involving penalties that were assessed against a return preparer, an  
45 electronic return preparer or a payroll service company pursuant to

1 section 42-1103.02, 42-1125.01 or 43-419, confidential information may be  
2 disclosed only before the judge or administrative law judge adjudicating  
3 the proceeding, the parties to the proceeding and the parties'  
4 representatives in the proceeding prior to its introduction into evidence  
5 in the proceeding. The confidential information may be introduced as  
6 evidence in the proceeding only if the taxpayer's name, the names of any  
7 dependents listed on the return, all social security numbers, the  
8 taxpayer's address, the taxpayer's signature and any attachments  
9 containing any of the foregoing information are redacted and if either:

10 1. The treatment of an item reflected on such return is or may be  
11 related to the resolution of an issue in the proceeding.

12 2. Such a return or the return information relates or may relate to  
13 a transactional relationship between a person who is a party to the  
14 proceeding and the taxpayer that directly affects the resolution of an  
15 issue in the proceeding.

16 3. The method of payment of the taxpayer's withholding tax  
17 liability or the method of filing the taxpayer's withholding tax return is  
18 an issue for the period.

19 U. The department and attorney general may share the information  
20 specified in subsection S of this section with any of the following:

21 1. Federal, state or local agencies located in this state for the  
22 purposes of enforcement of the statutes or agreements specified in  
23 subsection S of this section or for the purposes of enforcement of  
24 corresponding laws of other states.

25 2. Indian tribes located in this state for the purposes of  
26 enforcement of the statutes or agreements specified in subsection S of  
27 this section.

28 3. A court, arbitrator, data clearinghouse or similar entity for  
29 the purpose of assessing compliance with or making calculations required  
30 by the master settlement agreement or agreements regarding disputes under  
31 the master settlement agreement, and with counsel for the parties or  
32 expert witnesses in any such proceeding, if the information otherwise  
33 remains confidential.

34 V. The department may provide the name and address of qualifying  
35 hospitals and qualifying health care organizations, as defined in section  
36 42-5001, to a business classified and reporting transaction privilege tax  
37 under the utilities classification.

38 W. The department may disclose to an official of any city, town or  
39 county in a current agreement or considering a prospective agreement with  
40 the department as described in section 42-5032.02, subsection G any  
41 information relating to amounts subject to distribution required by  
42 section 42-5032.02. Information disclosed by the department under this  
43 subsection:

44 1. May only be used by the city, town or county for internal  
45 purposes.

1           2. May not be disclosed to the public in any manner that does not  
2 comply with confidentiality standards established by the department. The  
3 city, town or county must agree with the department in writing that any  
4 release of confidential information that violates the confidentiality  
5 standards will result in the immediate suspension of any rights of the  
6 city, town or county to receive information under this subsection.

7           X. Notwithstanding any other provision of this section, the  
8 department may not disclose information provided by an online lodging  
9 marketplace, as defined in section 42-5076, without the written consent of  
10 the online lodging marketplace, and the information may be disclosed only  
11 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,  
12 paragraphs 1, 2, 7 and 8 and subsections C and D of this section. Such  
13 information:

14           1. Is not subject to disclosure pursuant to title 39, relating to  
15 public records.

16           2. May not be disclosed to any agency of this state or of any  
17 county, city, town or other political subdivision of this state.

18           ~~Sec. 3. Requirements for enactment; three-fourths vote~~

19           ~~Pursuant to article IV, part 1, section 1, Constitution of Arizona,~~  
20 ~~section 36-2806, Arizona Revised Statutes, as amended by this act, is~~  
21 ~~effective only on the affirmative vote of at least three-fourths of the~~  
22 ~~members of each house of the legislature.~~

23           ~~Sec. 4. Emergency~~

24           ~~This act is an emergency measure that is necessary to preserve the~~  
25 ~~public peace, health or safety and is operative immediately as provided by~~  
26 ~~law.~~

**APPROVED BY THE GOVERNOR APRIL 29, 2019.**


**FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 29, 2019.**

**S.B. 1024**

Passed the House April 17, 20 19

by the following vote: 35 Ayes, 51 not enacted

25 Nays, 0 Not Voting  
w/o emergency  
Speaker of the House  
☒ Pro Tempore

  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

~~This Bill~~ received by the Governor this

day of                     , 20          

at o'clock M.

**Secretary to the Governor**

Approved this \_\_\_\_\_ day of \_\_\_\_\_

at \_\_\_\_\_ o'clock / M.

**Governor of Arizona**

**EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE**

**This Bill received by the Secretary of State**

this            day of           , 20      

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

**Secretary of State**

**ON RECONSIDERATION**  
**S.B. 1024**

SENATE CONCURS IN HOUSE  
AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 23, 20 19

by the following vote: 30 Ayes,

0 Nays, 0 Not Voting

Karen Farn  
President of the Senate

Susan Owens  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

23<sup>rd</sup> day of April, 20 19

at 3:02 o'clock P M.

R. G. Shuler  
Secretary to the Governor

Approved this 29<sup>th</sup> day of

April 2019

at 9:59 o'clock A M.

Doug Ducey  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 29 day of April, 20 19

at 4:46 o'clock P. M.

[Signature]  
Secretary of State